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RECORDATION NO. 9054 Filed & Recorded

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MARTIN L. SENZEL

October 26, 1977

Dear Sir:

Herewith for recordation pursuant to Section 20c of the Interstate Commerce Act, on behalf of Merrill Lynch Leasing Inc., are counterparts of a Lease of Railroad Equipment dated as of June 1, 1977, between Chicago, Milwaukee, St. Paul and Pacific Railroad Company, as Lessee, and Merrill Lynch Leasing Inc., as Lessor. The address of said Lessee is:

Union Station Building (Room 746)
516 West Jackson Boulevard
Chicago, Illinois 60606

and the address of said Lessor is:

165 Broadway,
New York, N.Y. 10006

The Equipment covered by the above-mentioned Lease consists of 75 bi-level truck racks bearing the serial numbers M7076 through M7150 (both inclusive), and also bearing the legend "Merrill Lynch Leasing Inc., Owner-Lessor".

Enclosed is a check for \$50 for the required recordation fee. Please accept for recordation one counterpart of the Lease, stamp the remaining counterparts and the

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Louis D. Thornhill
Christy

enclosed copy of this letter with your recordation number and return them to the delivering messenger along with your fee receipt, addressed to the undersigned.

Very truly yours,



Paul W. Voegeli

Robert L. Oswald, Esq.,
Secretary,
Interstate Commerce Commission,
Washington, D.C. 20423.

Encls.

41A

BY HAND

10/27/77

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Paul W. Voegeli
Cravath, Swaine & Moore
One Chase Manhattan Plaza
New York, N.Y. 10005

Sir:
Dear

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on **10/27/77** at **10:45am**,
and assigned recordation number(s) **9054**

Sincerely yours,


H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

RECORDATION NO. 9054 Filed & Recorded

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INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of June 1, 1977

Between

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

and

MERRILL LYNCH LEASING INC.

LEASE OF RAILROAD EQUIPMENT

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SCHEDULE A--Specifications of the Equipment

SCHEDULE B--Casualty Value Percentages Schedule

LEASE OF RAILROAD EQUIPMENT, dated as of June 1, 1977, between CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY, a Wisconsin corporation (hereinafter called the Lessee) and MERRILL LYNCH LEASING INC., a Delaware corporation (hereinafter called the Lessor).

Whitehead & Kales Company, a Michigan corporation (hereinafter called the Builder), the Lessor and the Lessee have entered into an agreement for the manufacture and sale of that certain railroad equipment described in Schedule A hereto evidenced by letters dated December 2 and December 9, 1976, from the Builder to the Lessee and from the Lessee to the Builder, respectively (hereinafter called the Purchase Order), and the Builder, the Lessor and the Lessee are entering into a Purchase Order Assignment dated as of the date hereof (hereinafter called the Purchase Order Assignment, the Purchase Order Assignment and the Purchase Order being hereinafter sometimes collectively called the Manufacturing Agreement) wherein the Builder has agreed to construct and sell to the Lessor and the Lessor has agreed to purchase such railroad equipment after it has been constructed by the Builder.

The Lessee desires to lease from the Lessor all the units of said equipment, or such lesser number as are delivered, accepted and settled for under the Manufacturing Agreement on or prior to December 15, 1977 (such units being hereinafter called the Units), at the rentals and for the terms and upon the conditions hereinafter provided.

NOW, THEREFORE, in consideration of the premises and of the rentals to be paid and the mutual covenants and agreements hereinafter set forth to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions:

Section 1. Delivery and Acceptance of Units. The Lessor will cause each Unit to be tendered to the Lessee at the point or points within the United States of America at which such Unit is delivered to the Lessor under the Manufacturing Agreement. Upon such tender, the Lessee will cause an authorized representative of the Lessee to inspect the same, and if such Unit is found to be in good order, to

accept delivery of such Unit and execute and deliver to the Lessor and the Builder a certificate of acceptance and delivery (hereinafter called the Certificate of Delivery), stating that such Unit has been inspected and accepted on behalf of the Lessee and the Lessor on the date thereof and is marked in accordance with Section 4 hereof whereupon such Unit shall be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all the terms and conditions of this Lease.

The obligation of the Lessor to lease any Unit to the Lessee hereunder shall be subject to the satisfaction of the conditions specified in Paragraph 5 of the Purchase Order Assignment.

Section 2. Rental. The Lessee agrees to pay to the Lessor as rental for each Unit subject to this Lease one interim and 37 consecutive quarterannual payments. The interim payment is payable on December 15, 1977, and the 37 quarterannual payments are payable in advance on March 15, June 15, September 15 and December 15 in each year, commencing December 15, 1977, to and including December 15, 1986. The interim payment on December 15, 1977, shall be in an amount equal to the product of the Purchase Price (as such term is defined in the Manufacturing Agreement) for each Unit subject to the Lease multiplied by .042356% for each day elapsed from and including the date such Unit is settled for under the Manufacturing Agreement to but not including December 15, 1977. The 37 quarterannual rental payments with respect to each Unit delivered and accepted hereunder and under the Manufacturing Agreement shall each be in an amount equal to 3.812% of the Purchase Price of each such Unit then subject to this Lease.

If any of the rental payment dates referred to above is not a business day the rental payment otherwise payable on such date shall be payable on the next succeeding business day. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, are by law authorized or obligated to remain closed.

All payments provided for in this Lease shall be made to the Lessor in immediately available funds at 165 Broadway, New York, N.Y. 10006, Attention of President, not later than 11:00 a.m., New York City time, on the date upon which such payments are due and payable.

This Lease is a net lease, and the Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or under the Manufacturing Agreement, or the Builder or otherwise; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all or any of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final, and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

Section 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit hereunder and, subject to the provisions of Sections 6 and 9 hereof, shall terminate three months from the date on which the final advance payment of rent in respect thereof is due hereunder.

Section 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each

Unit to be kept numbered with its identifying number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, the words "Merrill Lynch Leasing Inc., Owner-Lessor" or other appropriate markings designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect Lessor's title to such Unit and the rights of the Lessor under this Lease. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lessor and filed, recorded and deposited by the Lessee in all public offices where this Lease shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Lessor an opinion of counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Lessor's interests in such Units and that no filing, recording, depositing or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Lessor in such Units.

Except as above provided, the Lessee, so long as this Lease shall remain in effect, will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on equipment used by them of the same or a similar type for convenience of identification of their rights to use the Units as permitted under this Lease.

Section 5. Taxes. All payments to be made by the Lessee hereunder will be free of expense to the Lessor for collection or other charges and will be free of expense to the Lessor with respect to the amount of any local, state, Federal or foreign taxes (other than any United States Federal income tax and, to the extent that the Lessor receives credit therefor against its United States Federal income tax liability, any foreign income tax payable by the Lessor in consequence of the receipt of payments provided herein and

other than the aggregate of all state and local income taxes and franchise taxes measured by net income based on such receipts or gross receipts taxes other than gross receipts taxes in the nature of sales or use taxes, up to the amount of any such taxes which would be payable to the state and locality in which the Lessor has its principal place of business without apportionment to any other state or locality, except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, documentary stamp taxes, or license fees and any charges, fines, penalties or interest in connection therewith (hereinafter called impositions) now or hereafter levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof or under the Manufacturing Agreement, all of which impositions the Lessee assumes and agrees to pay on demand in addition to the payments to be made by it provided for herein. In determining the extent to which the Lessor receives credit for any foreign tax against its Federal income tax liability pursuant to the immediately preceding sentence (such determination by the Lessor being final and conclusive), it shall be assumed that credit is received for all other foreign taxes claimed as credits for the taxable year in question before credit is received for any foreign taxes arising out of this transaction which are claimed as credits for such year. The Lessee will also pay promptly all impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon the Lessor solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any impositions so long as it is contesting in good faith and by appropriate legal proceedings such impositions and the non-payment thereof is permitted by law and does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder. If any impositions shall have been charged or levied against the Lessor directly, the Lessor shall promptly notify the Lessee, and the following procedures shall be applicable:

(a) if reasonably requested by the Lessee in writing, upon receipt of indemnity reasonably satisfactory to it and at the expense of the Lessee (including, without

limitation, all costs, expenses, losses, legal and accountants' fees and disbursements, penalties and interest), the Lessor shall in good faith contest in the name of the Lessor or (if requested by the Lessee) in the name of the Lessee or permit the Lessee, if desired by the Lessee, to contest in the name of the Lessee or the Lessor, the validity, applicability or amount of such imposition by (i) resisting payment thereof if practicable, (ii) not paying the same except under protest, if protest is necessary and proper, and (iii) if payment be made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings; or

(b) if the request of the Lessee referred to in (a) above shall not be reasonable or if the indemnity required of Lessee under (a) above shall not be reasonably satisfactory to the Lessor, and the Lessor shall have paid the imposition, the Lessee shall reimburse the Lessor for such payment upon presentation of the Lessor's invoice therefor and upon such reimbursement the Lessor shall assign to the Lessee Lessor's rights and interest in any claim for a refund of such payment and will, at the Lessee's expense, furnish any reasonable assistance required in any proceeding by Lessee for such refund.

In the event any reports with regard to impositions are required to be made on the basis of individual Units or otherwise, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor in the Units as shall be satisfactory to the Lessor or, where not so permitted, will notify the Lessor of such requirement and will prepare and deliver such reports to the Lessor within a reasonable time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor.

In the event that, during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any impositions, pursuant to this Section 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such impositions are paid or reimbursed by the Lessee.

Section 6. Maintenance; Payment for Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and

expense, it will maintain and keep each Unit which is subject to this Lease in good operating order, repair and condition and in addition that each Unit shall at all times be used, maintained and operated in a careful and proper manner and in compliance with all manufacturers' instructions and warranty requirements.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such indefinite period shall exceed the term of this Lease, or by any other governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days or until the end of the term of this Lease (each such occurrence being hereinafter called a Casualty Occurrence) prior to the return of such Unit in the manner set forth in Section 12 hereof, the Lessee shall promptly after it shall have determined that such Unit has suffered a Casualty Occurrence, fully notify the Lessor in writing with respect thereto. Notwithstanding any such Casualty Occurrence, the Lessee shall continue making all payments provided for in this Lease in respect of such Unit until the rental payment date listed in Table 1 of Schedule B hereto next succeeding such notice (including the advance rental payable on such date). On such rental payment date the Lessee shall pay to the Lessor an amount equal to the advance rental payment or payments in respect of such Unit due and payable on such date plus an amount equal to the Casualty Value (as hereinafter defined) of such Unit as of the date of such payment in accordance with Schedule B hereto. Upon the making of all such payments by the Lessee in respect of any Unit, the rental for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent, to dispose of any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor, or to such other person or entity as may be entitled thereto.

The Casualty Value of each Unit as of the payment date on which payment is to be made as aforesaid shall be an amount equal to the sum of (a) that percentage of the Purchase Price of such Unit as is set forth in Table 1 of Schedule B hereto opposite such date with respect to such Unit plus (b) if applicable to such Unit, that percentage of the Purchase Price thereof as set forth in Table 2 of said Schedule B with respect to such Unit.

Whenever any Unit shall suffer a Casualty Occurrence at the end of the term of this Lease or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 12 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit, the Lessor shall be entitled to recover possession of such Unit. The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering such Casualty Occurrence or any component thereof, at the best price obtainable on an "as is, where is" basis. Provided that the Lessee has previously paid the Casualty Value to the Lessor, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit, and shall pay any excess to the Lessor or to such other person or entity as may be entitled thereto.

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the responsibility for and risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder, until returned in the manner provided in Section 12 hereof.

The Lessee will, at all times prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (A) insurance against loss, theft, destruction and damage in respect of the Units at the time subject hereto in amounts and with coverage customarily carried by the Lessee in respect of similar equipment operated by Lessee and naming the Lessor as the loss payee, and (B) public liability and property damage insurance naming Lessor as an additional assured, in amounts and with coverage customarily carried by the Lessee in respect of similar equipment owned by the Lessee. Each insurer shall agree, by

endorsement upon each policy issued by it or by independent instrument furnished to Lessor, that it will give Lessor 30 days advance written notice before the policy shall be materially altered or cancelled and will give immediate written notice if it shall not be renewed. On or prior to the date of execution and delivery of this Lease and on or prior to March 31 in each calendar year thereafter, the Lessee shall deliver to the Lessor a certificate signed by a duly authorized officer specifying the policy numbers, amounts and expiration dates of all insurance policies then in effect in accordance with this paragraph, the names of the issuing companies, and the Units (if any) and risks covered thereby. Lessee hereby appoints Lessor as Lessee's attorney-in-fact to make claim for, receive payment of, and execute and endorse all documents, checks or drafts for, loss or damage under any such insurance policy. So long as no event of default hereunder has occurred and is continuing, and so long as no event which with lapse of time and/or demand could constitute an event of default hereunder has occurred and is continuing, if the Lessor shall receive any insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. So long as no event of default hereunder has occurred and is continuing and so long as no event which with lapse of time and/or demand could constitute an event of default hereunder has occurred and is continuing all insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

Section 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1978, the Lessee will cause to be furnished to the Lessor and to Great American Insurance Company (hereinafter called the Surety) an accurate statement, as of the preceding December 31, showing the amount, description and numbers of the Units (a) then leased hereunder, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then

withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor or the Surety, as the case may be, may reasonably request, and stating that, in the case of all Units repainted or repaired during the period covered by such statement, the markings required by Section 4 hereof have been preserved or replaced. The Lessor or the Surety, as the case may be, shall have the right at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records with respect thereto at such reasonable times as the Lessor or the Surety, as the case may be, may request during the continuance of this Lease.

The Lessee will furnish to the Lessor and to the Surety (i) within 45 days after the end of each of the first three quarterly fiscal periods of the Lessee ending during the term of this Lease, forms RE&I and CBS as provided to the Interstate Commerce Commission (or any forms that are required from time to time by the Interstate Commerce Commission in lieu thereof), and balance sheets and statements of income and surplus of the Lessee's parent company, Chicago Milwaukee corporation, and its subsidiaries as of the close of such periods, in comparative form with the corresponding fiscal period in the preceding fiscal year, in reasonable detail and certified by any Vice President or the Treasurer of the Lessee and (ii) within 120 days after the close of each of the fiscal years of the Lessee ending during the term of this Lease, balance sheets of the Lessee and its consolidated subsidiaries and of Chicago Milwaukee Corporation and its subsidiaries as of the close of such fiscal years, together with the related statements of income and surplus and source and application of funds for such fiscal years, in comparative form with the preceding fiscal year, all in reasonable detail and certified by a recognized national firm of independent public accountants. The Lessee will also furnish to the Lessor and to the Surety (i) within 120 days after the close of each fiscal year of the Lessee ending during the term of this Lease a certificate of the Lessee, signed by a principal financial officer, to the effect that the signer has reviewed the relevant terms of this Lease and has made, or caused to be made under his supervision, a review of the transactions and condition of the Lessee during the preceding fiscal year, and that such review has not disclosed the existence during such period, nor does the signer have knowledge of the existence, as at the date of such certificate, of any condition or event which

constitutes a default, an Event of Default or event which, after notice or lapse of time or both, would constitute such a default or Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Lessee has taken or is taking or proposes to take with respect thereto and (ii) from time to time such other information as the Lessor or the Surety, as the case may be, may reasonably request (including, but not limited to, the public reports of the Lessee filed with the Interstate Commerce Commission on Form R-1 or any public reports filed with the Securities and Exchange Commission).

Section 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT, EITHER UPON DELIVERY THEREOF TO THE LESSEE, OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee; but the Lessor hereby irrevocably appoints and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce from time to time, in the name of and for the account of the Lessor and/or the Lessee, as their interests may appear, at the Lessee's sole cost and expense, whatever claims and rights the Lessor may have against the Builder under the provisions of Paragraphs 6 and 7 of the Purchase Order Assignment; provided, however, that if at any time an Event of Default shall have occurred and be continuing, the Lessor may assert and enforce, at the Lessee's sole cost and and expense, such claims and rights. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation, or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Delivery shall be

conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all respects, including the foregoing respects, satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor, to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which its operations involving the Units may extend and with all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units, and in the event that, prior to the expiration of this Lease or any renewal thereof, such laws or rules require any alteration, replacement, addition or modification of or to any part of any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may at its own expense, in good faith, contest the validity or application of any such law or rule in any reasonable manner which does not, in the advance opinion of the Lessor, adversely affect the property or rights of the Lessor under this Lease. The Lessee, at its own cost and expense, may furnish additions, modifications and improvements (in addition to those required under the first sentence of this paragraph) to the Units during the term of this Lease provided that such additions, modifications and improvements are readily removable without causing material damage to the Units. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor, and the additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless the Lessor from and against all losses, damages, injuries, liabilities (including, without limitation, strict or absolute liability in tort or by statute imposed), claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, reasonable counsel fees and expenses and other costs, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the Manufacturing Agreement or this Lease, or any of the

instruments or agreements referred to therein or herein or contemplated thereby or hereby, (ii) the ownership of any Unit, (iii) the ordering, acquisition, use, operation, condition, construction, purchase, lease, delivery, rejection, storage or return of any Unit or (iv) any accident in connection with the operation, use, condition, construction, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in Section 12 of this Lease. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Equipment or the full payment and performance of all obligations under this Lease or the expiration or termination of the term of this Lease, provided, however, that the foregoing indemnification shall not apply to any loss, damage, injury, liability, claim or demand directly and solely resulting from the grossly negligent action or grossly negligent omission to act of the Lessor.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing thereof to the Lessee.

Section 9. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an Event of Default) shall occur:

A. default shall be made in the payment of any amount provided for in Sections 2 or 6 hereof and such default shall continue for ten days;

B. the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any interest therein, or of the right to possession of the Units, or any thereof;

C. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein, and such default shall continue for 30 days after written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

D. the surety bond required by subparagraph (e) of Paragraph 5 of the Purchase Order Assignment shall for any reason within the control of the Lessee no longer be effective or enforceable in the opinion of counsel for the Lessor (unless such surety bond shall have been replaced with another surety bond or other similar indemnity agreement approved in writing by the Lessor) or such surety bond shall have been amended in any respect without the prior written consent to any such amendment of the Lessor;

E. a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings (whether or not subject to ratification) in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier;

F. any proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee under this Lease, under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder) and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee or for the property of the Lessee in connection with any such proceedings in

such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period) and also to recover forthwith from the Lessee as damages for loss of a bargain and not as a penalty, whichever of the following amounts the Lessor, in its sole discretion, shall specify:
(x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder

from the date of such termination to the end of the term of this Lease as to such Unit over the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 6% per annum discount, compounded quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the rental payment date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit at such time; provided, however, that in the event the Lessor shall have sold or leased any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) and (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay to the Lessor, and the Lessee shall pay to the Lessor on the date of such sale or leasing, as the case may be, as liquidated damages for loss of a bargain and not as a penalty, (i) in the case of such a sale, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the rental payment date on or next preceding the date of termination over the net proceeds of such sale, and (ii) in the case of such a leasing, an amount equal to the excess, if any, of the present value of all rental for such Unit which would otherwise have accrued hereunder from the date of termination to the end of the term of this Lease as to such Unit over the sum of (I) the then present value of all rental for such Unit required under the new lease plus (II) the then present value of the rental (if any) which the Lessor reasonably estimates to be obtainable for the Unit during the period commencing on the termination of the new lease and ending March 15, 1987, each such present value to be computed in each case on the basis of a 6% per annum discount, compounded, in the case of rental which would have accrued hereunder and in the case of rental which is estimated under clause II of this sentence, quarterly from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated and, in the case of rental under the new lease, periodically from the respective dates upon which such rental shall be payable thereunder.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make rental payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The Lessee acknowledges that it has been advised that the Lessor and the Surety have entered into a Surety Bond which provides that in the event of an Event of Default under this Lease, the Surety or Surety's nominee (references to Surety in this paragraph to mean Surety or Surety's nominee) shall have the right to assume all the rights and obligations of Lessee under this Lease. The Lessee agrees that upon receiving notice of any such assumption from the Surety, it will upon request of the Surety and at the option of the Surety (i) deliver possession of the Units to the Surety and convey, transfer or assign to the Surety all the Lessee's right, title and interest in any subleases, car contracts or other agreements with respect to the Units and take any other action and execute any documents reasonably requested by the Surety or the Lessor, which such delivery of the Units and conveyance, transfer or assignment shall terminate Lessee's leasehold interest in the Units but shall not release Lessee from any unfulfilled obligations under this Lease or (ii) Lessee shall become the sublessee of the Surety in respect of the Units with the rights and obligations of the Surety and the Lessee being the same as if the Surety had originally been designated as the lessor under this Lease in place of the Lessor. Lessee further acknowledges and agrees that no payment by Surety or for Surety's account, to Lessor, whether under said Surety Bond or pursu-

ant to said assumption or otherwise, shall constitute an amount arising in respect of a sale or lease of the Units of Equipment for purposes of measuring liquidated damages recoverable, whether by Lessor or Surety or any other person and whether by subrogation, assignment of rights or otherwise, from Lessee pursuant to paragraph (b) of this Section 9.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

Section 10. Return of Units upon Default. If this Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the same operating order, repair and condition as when originally delivered to the Lessee, ordinary wear and tear excepted. For the purpose of delivering possession of any Unit or Units to the Lessor as above required, the Lessee shall at its own cost, expense and risk forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any rolling stock to which any Unit has been attached has been interchanged to return such rolling stock so interchanged) cause, at Lessor's option, any, some or all of the following, (a) the Units to be detached from each unit of railroad rolling stock to which any have been attached, (b) the Units to be moved to such point or points on its lines as shall be designated by the Lessor and shall there deliver the Units or cause them to be delivered to the Lessor, (c) the Units to be moved to such interchange point or points of the Lessee as shall be designated by the Lessor upon any sale, lease or other disposal of all or any part of the Units by the Lessor and (d) use its best efforts to cause the owner of the rolling stock to which any Unit has been attached to enter into an agreement with the Lessor, or the nominee or assignee of the Lessor, in respect of such rolling stock, similar to the agreement then existing in respect of such rolling stock between such owner and the Lessee, in which case any movement of any Unit pursuant to (b) or (c) shall be movement of such rolling stock with such Unit attached. At the option of the Lessor in the event of termination of this Lease pursuant to Section 9 hereof, the Lessor may keep the Units on any of the lines or premises of the Lessee for a period of not more than 18

months or until the Lessor shall have leased, sold or otherwise disposed of the same whichever shall first occur, and for such purpose the Lessee agrees to furnish, without charge for rent or storage, the necessary facilities at any point or points on said lines or premises selected by the Lessor reasonably convenient to the Lessee. This agreement to detach and/or deliver the Units and furnish facilities as hereinbefore provided is of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to detach, deliver, store and/or transport the Units. During any storage period as hereinbefore provided, the Lessee will, at its own cost and expense, maintain and keep the Equipment in good order and repair and at the Lessee's risk will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence, or for any injury to property caused by any such person so exercising such rights.

All amounts earned in respect of the Units after the date of termination of this Lease pursuant to Section 9 hereof shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided, within 60 days after such termination, the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to the amount, if any, by which .042356% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated under this Section 10 to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

Section 11. Assignment; Possession and Use. This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon (a) receipt of written notice of such assignment from the Lessor or (b) as provided in the penultimate paragraph of Section 9 hereof.

The Lessee will not permit any Unit to be attached or affixed to any unit of railroad rolling stock unless such Unit can be removed therefrom without material damage to such unit of rolling stock or the Unit.

So long as the Lessee shall not be in default under this Lease, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease but, without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in the Units or any of them. The Lessee, at its own expense, will promptly pay or discharge or cause to be duly discharged any and all sums claimed by any party which if unpaid, might become a lien, charge, security interest or other encumbrance (other than an encumbrance created by the Lessor after the date hereof or resulting from claims against the Lessor not related to the ownership of the Units), upon or with respect to any Unit or the interest of the Lessor or the Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises; provided, however, that the Lessee shall not be required to effect any such payment and discharge so long as it is contesting in good faith and by appropriate legal proceedings the validity of such sum and the nonpayment thereof does not, in the opinion of the Lessor, adversely affect the title, property or rights of the Lessor hereunder. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof.

Subject to the terms of this Lease, the Lessee shall be entitled to the possession of the Units and to the use thereof by it or any affiliate upon lines of railroad owned or operated by it or any such affiliate or upon the lines of railroad over which the Lessee or any such affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly

operated pursuant to contract, and also to permit the use of the Units upon connecting and other carriers in the usual interchange of traffic and equipment, but only upon and subject to all the terms and conditions of this Lease, including the last paragraph of this Section 11. The Lessee may receive and retain compensation for such use from other railroads so using any of the Units.

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties of the Lessee as an entirety or substantially as an entirety, provided that such assignee or transferee (i) will not, upon the effectiveness of such merger, consolidation or acquisition, be in default under any provision of this Lease and (ii) will, upon such effectiveness, have a net worth equal to or greater than that of the Lessee immediately prior to such effectiveness.

The Lessee agrees that during the term of this Lease, it (i) will not assign any Unit to service involving the regular operation and maintenance thereof outside the United States of America and (ii) will not at any time permit more than 10% of the Units then subject to this Lease to be located outside the United States of America.

Section 12. Return of Units upon Expiration of Term. As soon as practicable on or after the expiration of the original or any extended term of this Lease with respect to any Unit but in any event not later than 90 days after such expiration, the Lessee will, at its own cost and expense, at the request of the Lessor, detach each Unit from the unit of railroad rolling stock to which it has been attached, and deliver possession of such Unit to the Lessor at such point or points on the lines of the Lessee or any of its affiliates as the Lessor may designate or, in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Unit at such point or points on the Lessee's lines as the Lessor may select, in facilities furnished by the Lessee for a period not exceeding three months and transport the same, at any time within such three-month

period, to any reasonable point on the lines of the Lessee, or to any connecting carrier for shipment, all as directed by the Lessor, the movement and storage of such Unit to be at the sole expense and risk of the Lessee; and, in the event that any unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof last set forth in Schedule B hereto. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence or for any injury to property caused by any such person so exercising such rights. Each Unit returned to the Lessor pursuant to this Section 12 shall (i) be in the same operating order, repair and condition as when originally delivered to the Lessee, including without limitation repair having been made of any change caused by the removal of all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof or caused by the removal of such Unit from any rolling stock to which it may have been attached, ordinary wear and tear excepted, (ii) meet the standards then in effect under the Interchange Rules of the Association of American Railroads, if applicable, and/or the applicable rules of any governmental agency or other organization with jurisdiction and (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof. The detaching, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to detach, deliver, store and transport the Units.

All amounts earned in respect of the Units after the end of the term of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not detached, delivered and stored, as hereinabove provided, within 60 days after the end of the term of this Lease, the Lessee shall, in addition, pay to the Lessor as daily rent for each

day thereafter an amount equal to the amount, if any, by which .042356% of the Purchase Price of such Unit for each such day exceeds the actual earnings received by the Lessor on such Unit for each such day.

Section 13. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease and any assignment hereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act. The Lessee, at its own expense, will further cause this Lease and/or appropriate financing statements or continuation statements to be filed and recorded, and, from time to time when required, refiled and rerecorded, in accordance with the applicable provisions of the Uniform Commercial Code of the State of Illinois in like manner as if the Lessor's interest in this Lease represented a security interest or in any other State of the United States of America or the District of Columbia where filing is required by applicable state or Federal law. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, re-register, re-record or redeposit whenever required) any and all further instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to its satisfaction, of the Lessor's interest in the Units, or for the purpose of carrying out the intention of this Lease; and the Lessee will promptly furnish to the Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor. This Lease shall be filed and recorded with the Interstate Commerce Commission, and the above-mentioned Uniform Commercial Code filings shall be completed, prior to the delivery and acceptance hereunder of any Unit. The Lessee represents that the Units are intended for use in interstate commerce.

Section 15. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpay-

ment of rentals and other obligations when due hereunder shall result in the obligation on the part of the Lessee promptly to pay also an amount equal to 10% per annum of the overdue rentals and other obligations for the period of time during which they are overdue or such lesser amount as may be legally enforceable.

Section 16. Notices. Any instruction or notice required or permitted to be given by either party hereto to the other shall be deemed to have been given when deposited in the United States mails, first-class postage prepaid, addressed as follows:

if to the Lessor, at

165 Broadway,
New York, N.Y. 10006,

Attention of President;

if to the Lessee, at

Union Station Building,
Room 746,
516 West Jackson Boulevard,
Chicago, Illinois 60606,

Attention of Vice President-Accounting;

if to the Surety, at

580 Walnut Street,
Cincinnati, Ohio 45202,

Attention of Surety Bond Department

with a copy to Messrs. Keating, Muething & Klekamp
18th Floor, Provident Tower,
One East Fourth Street,
Cincinnati, Ohio 45202.

Attention of J. David Rosenberg, Esq.

or addressed to any such party at such other address as such party shall hereafter furnish to the other party in writing.

Section 17. Effect and Modification of Lease.

Except for the Manufacturing Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee.

Section 18. Income Tax Indemnity.

(a) This Lease has been entered into on the basis that (A) the Lessor shall be entitled to such deductions, credits and other benefits as are provided by the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter called the Code) and the Income Tax Regulations under the Code (hereinafter called the Regulations), to an owner of property including, without limitation, the ADR Deduction and the Investment Credit, both as hereinafter defined, and (B) the Lessor shall be entitled to treat all items of income, deduction and credit with respect to this Lease as attributable to sources within the United States. The Lessee agrees that neither it nor any corporation controlled by it, in control of it, or under common control with it, directly or indirectly, will at any time take any action or file any returns or other documents inconsistent with the foregoing or which would increase the amount of rentals required to be taken into income by the Lessor, and that each of such corporations will file such returns, take such action and execute such documents as may be reasonable and necessary to facilitate accomplishment of the intent thereof. The Lessee agrees to keep and make available for inspection and copying by the Lessor, and will on written request by the Lessor provide the Lessor with, such records as will enable the Lessor to determine whether the Lessor is entitled (x) to the full benefit of the ADR Deduction and the Investment Credit and (y) to treat all items of income, deduction and credit with respect to this Lease as attributable to sources within the United States.

(b) The Lessee represents and warrants that (i) all the Units of Equipment constitute property the entire basis of which qualifies for 10% Investment Credit under Section 50 of the Code; (ii) at the time the Lessor becomes the owner of the Units, such Units will constitute "new section 38 property" within the meaning of Section 48(b) of the Code, and at the time the Lessor becomes the owner of the Units, the Units will not have been used by any person

so as to preclude "the original use of such property" within the meaning of Sections 48(b) and 167(c)(2) of the Code from commencing with the Lessor; and (iii) at all times during the term of this Lease, each Unit will constitute "section 38 property" within the meaning of Section 48(a) of the Code.

(c) If for any reason whatsoever (other than for the reasons set forth in paragraph (f) below) the Lessor shall in any year lose, shall not have, shall lose the right to claim, shall suffer a disallowance, or shall be required to recapture all or any portion of the ADR Deduction (as hereinafter defined) (each such loss, disallowance or recapture being hereinafter called a Loss of ADR Deduction), then, within thirty days following a Final Determination (as hereinafter defined) of such Loss of ADR Deduction, the Lessee shall pay to the Lessor an amount which shall restore to the Lessor the same after-tax rate of return on the Lessor's investment as Lessor would have received if such Loss of ADR Deduction had not occurred, computed on the basis of the original assumptions employed by the Lessor (as identified to Lessee pursuant to Lessee's request, if any, for a statement of such assumptions prior to the execution and delivery of this Lease) in entering into the transaction, and taking into account any interest or penalties payable by the Lessor as a result of such Loss of ADR Deduction.

(d) If for any reason whatsoever (other than for the reasons set forth in paragraph (f) below) the Lessor shall in any year lose, shall not have, shall lose the right to claim, shall suffer a disallowance, or shall be required to recapture all or any portion of the Investment Credit (as hereinafter defined) (each such loss, disallowance or recapture being hereinafter called a Loss of Investment Credit), then, within thirty days following a Final Determination of such Loss of Investment Credit, the Lessee shall pay to the Lessor an amount equal to the sum of (X) the product of (i) the amount of any additional Federal, state or local income taxes payable as a result of such Loss of Investment Credit, together with any interest, penalties or additions to tax payable by the Lessor as a result of such Loss of Investment Credit which are not deductible by the Lessor for Federal income tax purposes, and (ii) the Gross-Up Factor (as hereinafter defined) for the year in which such payment is made, plus (Y) the amount of any interest, penalties or additions to tax payable by the Lessor as a result of such Loss of Investment Credit which are deductible by the Lessor for Federal income tax purposes.

(e) If as a result of the use of any Unit of Equipment outside the United States, the Lessor shall in any year lose, shall not have, shall lose the right to claim, or shall suffer a disallowance of any foreign tax credits (each such loss or disallowance being hereinafter called a Loss of Foreign Tax Credit), then, within thirty days following a Final Determination of such Loss of Foreign Tax Credit, the Lessee shall pay to the Lessor an amount equal to the sum of (X) the product of (i) the amount of any additional Federal, state or local income taxes payable as a result of such Loss of Foreign Tax Credit, together with any interest, penalties or additions to tax payable by the Lessor as a result of such Loss of Foreign Tax Credit which are not deductible by the Lessor for Federal income tax purposes, and (ii) the Gross-Up Factor for the year in which such payment is made, plus (Y) the amount of any interest, penalties or additions to tax payable by the Lessor as a result of such Loss of Foreign Tax Credit which are deductible by the Lessor for Federal income tax purposes. For purposes of this paragraph (e), any Loss of Foreign Tax Credit shall be computed by comparing the Foreign Tax Credit available to the Lessor taking into account this transaction with the Foreign Tax Credit which would have been available to the Lessor had this transaction not been entered into.

(f) Notwithstanding any provision in paragraphs (c), (d) or (e) to the contrary, the Lessee shall not be required to make any payment to the Lessor as a result of any Loss of ADR Deduction, Loss of Investment Credit or Loss of Foreign Tax Credit (any of such losses being hereinafter called a Loss of Tax Benefits) pursuant to paragraphs (c), (d) or (e), to the extent, and only to the extent, that any such Loss of Tax Benefits is a direct result of the occurrence of any of the following events:

(i) a Casualty Occurrence with respect to any Unit, if the Lessee shall have paid to the Lessor the Casualty Value pursuant to Section 6 hereof;

(ii) a voluntary transfer by the Lessor of legal title to any Unit, a voluntary disposition by the Lessor of any interest in such Unit, or a voluntary reduction by the Lessor of its interest in the rentals from such Unit under this Lease, unless, in each case, an Event of Default shall have occurred and be continuing;

(iii) the failure of the Lessor to claim the ADR

Deduction or the Investment Credit on its income tax return for the appropriate year, unless the Lessor shall have received an opinion of Messrs. Cravath, Swaine & Moore or other outside counsel mutually acceptable to Lessor and Lessee to the effect that the Lessor is not entitled to claim the ADR Deduction or the Investment Credit;

(iv) the failure of the Lessor to have sufficient liability for Federal income tax against which to credit the Investment Credit or sufficient income to benefit from the ADR Deduction; or

(v) the failure of the Lessor to contest a claim in the manner set forth in this Section 18.

(g) If as a result of any Loss of Tax Benefits the aggregate Federal, state or local income tax liability of the Lessor is reduced in respect of any taxable year of the Lessor subsequent to the taxable year in which such Loss of Tax Benefits was incurred, the Lessor shall pay to the Lessee, within thirty days after the Lessor realizes such reduction in aggregate income tax liability, an amount which shall be equal to the amount of such reduction in aggregate income tax liability, plus an amount which shall be equal to any net tax saving to the Lessor arising from such payment, provided, that in determining the amount by which the aggregate income tax liability of the Lessor is reduced as the result of a Loss of Tax Benefits, the Lessor shall be deemed first to have utilized for the purpose of reducing its income tax liability all deductions and credits available to it otherwise than by reason of any such Loss of Tax Benefits, and, provided, further that no such amount shall be payable to the Lessee by the Lessor in respect of any such reduction in income tax liability as a result of any such Loss of Tax Benefits in excess of the aggregate amount of the payment theretofore made by the Lessee by way of indemnification for such Loss of Tax Benefits minus any amount previously paid to the Lessee by the Lessor pursuant to this sentence in respect of such reduction in income tax liability.

(h) A "Final Determination" of a Loss of Tax Benefits shall occur upon the earlier of (i) the receipt by the Lessor of an opinion of Messrs. Cravath, Swaine & Moore or other outside counsel mutually acceptable to Lessor and Lessee to the effect that the Lessor is not entitled, on any reasonable grounds, to take a position on its income tax

return which will not result in a Loss of Tax Benefits; (ii) payment by the Lessor of any tax, interest, or penalty resulting from such Loss of Tax Benefits; or (iii) a reduction in the amount of any refund which would otherwise be due the Lessor from the Internal Revenue Service, as a result of such Loss of Tax Benefits; for purposes of this paragraph (h), a "payment by the Lessor of any tax, interest, or penalty resulting from such Loss of Tax Benefits" shall be deemed to include, without restriction, the payment by the Lessor in any year of any tax, interest or penalty, if, but only to the extent that, the Lessor would have had available for such year a loss carryforward but for the reduction or absorption of part or all of such loss carryforward in a prior year, as a result of a Loss of Tax Benefits in such prior year.

(i) If at any time prior to the disposition of any Unit in a taxable transaction, the Lessor determines that an amount in respect of any improvement and/or addition to such Unit made by the Lessee on the basis of rulings (private or public) or regulations issued by the Internal Revenue Service or discussions with the Internal Revenue Service is includible in its gross income (any such improvement and/or addition being hereinafter called a Capital Improvement), or if the Lessee shall pay all or any installment of rental prior to the date upon which such payment is herein required to be made (any such payment being hereinafter called a Premature Rental), then the Lessee shall pay to the Lessor such amount or amounts which, after deduction of all taxes required to be paid by the Lessor in respect of the receipt of such amounts under the laws of any Federal, state or local government or taxing authority of the United States, shall be equal, in the case of a Capital Improvement, to the sum of the aggregate Federal, state or local income taxes payable by the Lessor from time to time as a result of such Capital Improvement, and, in the case of a Premature Rental, to the excess of (A) the taxes payable by the Lessor as a result of the receipt of such Premature Rental over (B) the taxes that would have been payable by the Lessor in the taxable year of the Lessor such Premature Rental was received, but for the receipt of such Premature Rental; plus the amount of any interest, penalties or additions to tax payable as the result of any such Capital Improvement or such Premature Rental, as the case may be. If as a result of any such Capital Improvement or such Premature Rental, as the case may be, the aggregate Federal, state or local income taxes paid by the Lessor for any subsequent taxable year shall

be less than the amount of such tax which would have been payable by the Lessor had no such Capital Improvement or such Premature Rental, as the case may be, been made, then the Lessor shall pay the Lessee the amount of such savings in taxes plus any additional tax benefits realized by the Lessor as the result of such payment; provided, however, that the Lessor shall not be obligated to make any payment pursuant to this sentence to the extent that the amount of such payment would exceed (X) the amount of all prior payments by the Lessee to the Lessor pursuant to this paragraph (i) less (Y) the amount of all prior payments by the Lessor to the Lessee under this paragraph (i), and the amount by which such payment would exceed such amount shall reduce pro tanto any subsequent obligation of the Lessee to make any payments to the Lessor pursuant to the first sentence to this paragraph (i). Any payment to the Lessor pursuant to this paragraph (i) shall be paid within 30 days after payment by the Lessor of the additional Federal, state or local income tax, as the case may be, which becomes due as the result of such Capital Improvement or such Premature Rental, as the case may be. Any payment to the Lessee from the Lessor pursuant to this paragraph (i) shall be paid within 30 days after the Lessor realizes any such savings in its income taxes or additional tax benefits, as the case may be.

(j) In the event a claim shall be made by any taxing authority which, if determined adversely to Lessor, would result in a Loss of Tax Benefits, or would result in an inclusion in the gross income of the Lessor of any amount with respect to a Capital Improvement pursuant to paragraph (i), the Lessor hereby agrees to take such action in connection with contesting such claim as the Lessee shall reasonably request in writing from time to time, provided that: (i) within thirty days after notice by the Lessor to the Lessee of such claim, the Lessee shall have requested that such claim be contested; (ii) before undertaking, at the Lessee's request, any administrative appeals, proceedings, hearings or conferences with the Internal Revenue Service or any judicial resolution or any other such action in respect of such claim, the Lessor shall have been furnished by the Lessee with an opinion of Messrs. Cravath, Swaine & Moore or other outside counsel mutually acceptable to the Lessor and Lessee to the effect that there exists a reasonable basis for contesting such claim; (iii) the Lessee shall have indemnified or provided for the indemnification of the Lessor in a manner satisfactory to the Lessor for liability or loss which the Lessor may incur as the result of contesting such claim and

hereby agrees to pay or reimburse the Lessor for (in addition to all other indemnifications under this Section 18), on demand, all costs and expenses which such person may incur in connection with contesting such claim, including, without limitation, reasonable attorneys' and accountants' fees, expenses and disbursements; (iv) at such time as judicial resolution is available and appropriate, the Lessor shall have the option either to pay the tax claimed and sue for a refund in the appropriate United States District Court or the United States Court of Claims, as such person shall elect, or to contest such claim in the United States Tax Court; (v) once judicial resolution is sought, the Lessor shall, to the extent that clause (iii) of this sentence is satisfied (or unless otherwise directed by the Lessee), in the case of an adverse determination, exhaust such judicial appeals, or in the case of a favorable determination, defend against such appeals, as may be required to obtain an ultimately favorable resolution of the claim, provided that, the Lessor need not appeal any adverse judicial determination unless it shall have been furnished by the Lessee with an opinion of Messrs. Cravath, Swaine & Moore or other outside counsel mutually acceptable to Lessor and Lessee to the effect that there exists a reasonable basis for taking such appeal; and (vi) the Lessor may elect, despite a request by the Lessee pursuant to clause (i) of this sentence that a claim be contested, not to contest such claim or imposition, provided that, if the Lessor so elects despite such a request by the Lessee, the Lessee shall be relieved of all its indemnification obligations in respect of any Loss of Tax Benefits resulting from such claim and the Lessor shall promptly pay to the Lessee an amount which shall be equal to the total of all indemnification payments previously made by the Lessee in respect of Loss of Tax Benefits resulting from such claim plus interest thereon at the rate of 10% per annum. In the case of any such claim referred to above, the Lessor agrees promptly to notify the Lessee in writing of such claim and agrees not to make payment of the tax claimed, if such payment has been demanded, for at least 30 days after the giving of such notice and agrees to give to the Lessee any relevant information relating to such claim which may be particularly within the knowledge of the Lessor, and shall otherwise, subject to the proviso to the first sentence of this paragraph (j), cooperate with the Lessee in good faith in order effectively to contest any such claim.

(k) If, pursuant to paragraph (j), the Lessor pays a tax and sues for a refund, and if, pursuant to

paragraph (c), (d), (e), or (i), the Lessee indemnifies the Lessor upon such payment of tax by the Lessor, then, if and to the extent that the suit results in a favorable outcome to the Lessor, the Lessor shall pay to the Lessee an amount which will equal the amount of any tax, penalty, or interest refunded to the Lessor as a result of such suit, together with any interest paid to the Lessor on such refunded amount, plus an amount which shall be equal to any net tax savings to the Lessor arising from such payment, provided, however, that in no event shall the total amount paid to the Lessee pursuant to this paragraph (k) with respect to a particular refund exceed the amount paid by the Lessee to the Lessor in connection with the indemnification made pursuant to paragraph (c), (d), (e) or (i) to which such refund relates.

(l) Any late payment by either the Lessor or the Lessee of any of its obligations under this Section 18 shall result in the obligation on the part of such party promptly to pay either an amount equal to interest at the rate of 10% per annum on the overdue payment for the period of time during which such payment is overdue, or such lesser amount as may be legally enforceable. The payments due under this paragraph (l) are in addition to all other payments due under this Section 18. This paragraph (l) shall not be construed to allow or permit any party to delay payment of any amounts due under this Section 18.

(m) All payments due under this Section 18 shall be made in immediately available funds at the principal office of the payee.

(n) The Lessee's and the Lessor's agreements to pay any sums which may become payable pursuant to this Section 18 shall survive the expiration or other termination of this Lease.

(o) As used in this Section 18:

(A) "ADR Deduction" shall mean the maximum depreciation deduction with respect to the Units authorized under Section 167 of the Code, (a) utilizing a 12-year depreciable life, which is the lower limit listed in Revenue Procedure 77-10, 1977 Int. Rev. Bull. No. 12, at 4, for property in Asset Guideline Class No. 00.25, in accordance with the Class Life Asset Depreciation Range System described in Section 167(m) of the Code and the Treasury Regulations promulgated thereunder as in effect

on the date hereof, (b) employing initially the 200% declining-balance method of depreciation with a change, not requiring the consent of the Commissioner of Internal Revenue, to the sum of the years-digits method of depreciation when most beneficial to the Lessor, (c) taking into account a salvage value, after the reduction allowed by Section 167(f) of the Code, of 0% of the basis of the Units, (d) including in the basis of the Units the sum of the entire Purchase Price thereof plus all other items properly includible under Section 1012 of the Code (such sum being hereinafter referred to as the Capitalized Cost) and (e) calculated on the assumption that each Unit is first placed in service during the half of the Lessor's taxable year during which the closing with respect to such Unit occurs.

(B) "Investment Credit" shall mean the 10% investment credit with respect to 100% of the basis of the Units pursuant to Section 38 and related sections of the Code, including in the basis of the Units the entire Capitalized Cost thereof, such investment credit to be available to the Lessor with respect to any Unit for the taxable year of the Lessor during which the closing with respect to such Unit occurs.

(C) The "Federal Tax Rate" for any year shall mean the maximum marginal income tax rate imposed on corporations engaged in the business of leasing tangible personal property by the Code in such year, expressed as a fraction, and the "Local Tax Rate" for any year shall mean the sum of the maximum marginal income tax rates imposed on corporations engaged in the business of leasing tangible personal property by the State of New York and by the City of New York any political subdivisions of such state in such year, expressed as a fraction. For purposes of the immediately preceding sentence, the "maximum marginal income tax rate" of any jurisdiction shall include any surcharges, surtaxes, excess profit taxes, war profit taxes, or any other charge, additions to tax, or tax measured by the net income or the gross receipts of such a corporation.

(D) The "Effective Tax Rate" for any year shall mean the difference between (i) the sum of the Local Tax Rate and the Federal Tax Rate for such year and (ii) the product of the Local Tax Rate and the Federal Tax Rate for such year.

(E) The "Gross-Up Factor" for any year shall mean a fraction, the numerator of which is one, and the denominator of which is the difference between one and the Effective Tax Rate for such year.

Section 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Lessor shall be deemed to be the original counterpart. It shall not be necessary that any counterpart be signed by both parties so long as each party shall sign at least one counterpart. Although this Lease is dated as of the date first set forth above for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

Section 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused this instrument to be executed in their respective corporate names by duly authorized officers, and their respective corporate seals to be hereunto affixed and duly attested, all as of the date first above written.

MERRILL LYNCH LEASING INC.,

by

Frederick J. Butler
Vice President

[Corporate Seal]

Attest:

Michael A. Forastiere
Assistant Secretary

CHICAGO, MILWAUKEE, ST. PAUL AND
PACIFIC RAILROAD COMPANY,

by

R. W. Nugent Jr.
Vice President

[Corporate Seal]

Attest:

E. B. Budnowski
Assistant Secretary

STATE OF NEW YORK,)
) ss.:
COUNTY OF NEW YORK,)

On this 28TH day of September, 1977, before me personally appeared FREDERICK D.C. BUTLER, to me personally known, who, being by me duly sworn, says that he is a ~~vice~~ President of MERRILL LYNCH LEASING INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Eileen A. Bolan
Notary Public

[Notarial Seal]

My Commission expires 3/30/78

EILEEN A. BOLAN
Notary Public, State of New York
No. 24-4638061
Qualified in Kings County
Certificate filed in New York County
Commission Expires March 30, 1978



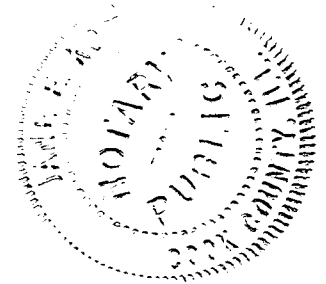
STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 6th day of ~~September~~ ^{October}, 1977, before me personally appeared R. V. Nugent, Jr., to me personally known, who, being by me duly sworn, says that he is a Vice President of CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was this day signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Jane E. Kot
Notary Public

[Notarial Seal]

My Commission expires 7-17-79



SCHEDULE A

Equipment

The Units of Equipment identified in the attached Lease of Railroad Equipment ("Lease") dated as of June 1, 1977, between Chicago, Milwaukee, St. Paul and Pacific Railroad Company and Merrill Lynch Leasing Inc., are 75 Bi-Level Truck racks, manufactured by Whitehead & Kales Company, bearing Serial Numbers M7076 through M7150 inclusive.

Specifications

The specifications for the above-referenced Units of Equipment are all of those certain specifications set forth or described or referenced in the Purchase Order as defined in the Lease.

SCHEDULE B*

Casualty Value Percentages Schedule

Table 1

<u>Rental Payment Date</u>	<u>Percentage of Purchase Price for each Unit</u>
December 15, 1977	87.0340%
March 15, 1978	86.4016
June 15, 1978	85.6959
September 15, 1978	84.9173
December 15, 1978	84.0645
March 15, 1979	83.1383
June 15, 1979	82.1441
September 15, 1979	81.0801
December 15, 1979	79.9450
March 15, 1980	78.7369
June 15, 1980	77.4626
September 15, 1980	76.1187
December 15, 1980	74.7039
March 15, 1981	73.2146
June 15, 1981	71.6610
September 15, 1981	70.0379
December 15, 1981	68.3441
March 15, 1982	66.5744
June 15, 1982	64.7422
September 15, 1982	62.8406
December 15, 1982	60.8686
March 15, 1983	58.8192
June 15, 1983	56.7091
September 15, 1983	54.5300
December 15, 1983	52.2806
March 15, 1984	49.9524
June 15, 1984	47.5653
September 15, 1984	45.1094
December 15, 1984	42.5834
March 15, 1985	39.9773
June 15, 1985	37.3141
September 15, 1985	34.5824
December 15, 1985	31.7903
March 15, 1986	28.9356
June 15, 1986	26.0258
September 15, 1986	23.0477
December 15, 1986	20.0000

* Computed on the basis that advance rental will also be payable on the Rental Payment Date in addition to Casualty Value.

Table 2

The percentages set forth in Table 1 of this Schedule B have been computed without regard to recapture of the Investment Credit (as defined in Section 18 of the Lease). Consequently, the Casualty Value of any Unit suffering a Casualty Occurrence on or before the third, fifth or seventh anniversary of the date of delivery and acceptance of such Unit shall be increased by the applicable percentage of the Purchase Price set forth below:

<u>Anniversary of Delivery and Acceptance</u>	<u>Percentage of Purchase Price</u>
Third	19.23077%
Fifth	12.82052
Seventh	6.41026